

1ST QUARTER

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CROWN CORPORATIONS COUNCIL
A Manitoba Crown Corporation

FIRST QUARTER REPORT

Period Ended March 31, 1999

Crown Corporations Council

First Quarter Report

For the three months ended March 31, 1999

Crown Corporations Council**First Quarter Report****For the three months ended March 31, 1999**

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CROWN CORPORATIONS COUNCIL

A MANITOBA CROWN CORPORATION

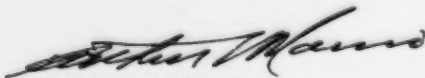
April 22, 1999

The Honourable Harold Gilleshammer
Minister responsible for
Crown Corporations Council
103 Legislative Building
WINNIPEG, Manitoba
R3C 0V8

Dear Minister:

I am pleased to submit for your consideration the First Quarter Report of Crown Corporations Council for the three months ended March 31, 1999.

Yours truly,



Arthur V. Mauro
Chairman

Crown Corporations Council

First Quarter Report

For the three months ended March 31, 1999

Review of Crown Corporations 1999/2000 Capital Expenditure Programs

In January 1999, Council completed its annual review of the Crown corporations capital expenditure programs. The Corporations have planned expenditures totaling \$377 million for the 1999/2000 fiscal year.

Manitoba Hydro's capital expenditure program is \$314 million. Of this amount, \$247 million, or 79% is allocated to maintain the reliability of the Corporation's transmission, distribution and power supply system. The majority of the projects included in the program were initiated in previous years and are in various stages of completion. Key projects include continuing the rehabilitation of the Corporation's generating stations, HVDC reliability enhancements, completion of transmission and terminal facilities for the Dorsey, Neepawa, and Cornwallis 230KV line and Dorsey, St. Vital 230KV transmission line.

The remainder of the program, \$67 million, is allocated to customer service initiatives and corporate support projects. Expenditures relate to items such as extending and upgrading residential, farm, commercial and industrial service, and Year 2000 information technology initiatives.

The program reflects the Corporation's strategic goal of supplying its customers with safe, reliable, low cost energy through a comprehensive Integrated Resource Plan which encompasses demand side, supply side and purchase options. The projects are prioritized based on criteria related to essential reliability requirements; cost justified improvements, safety considerations, and growth in demand for electricity.

Subsequent to the completion of our report, Manitoba Hydro announced its intention to acquire Centra Gas Manitoba. This acquisition is subject to completion of due diligence and approvals by its Board and the Province of Manitoba as well as review by the Public Utilities Board. The outcome of the proposed transaction will be reflected in Council's next Mandate and Strategy Review of Manitoba Hydro.

Crown Corporations Council

First Quarter Report

For the three months ended March 31, 1999

Manitoba Public Insurance's (MPI) capital expenditure program totals \$21 million. A major portion, \$19 million, provides for four primary initiatives. These initiatives include renewal of various urban and rural claim centres, redevelopment of the Plessis Road facilities, Year 2000 information technology initiatives, and a new project to enable MPI to accept preauthorized monthly payments and credit card payments for Autopac premiums.

The expenditure program reflects the Corporation's strategic goals to provide excellent customer service, complete Year 2000 preparedness initiatives and provide for cost effective replacement of physical assets.

Manitoba Lotteries Corporation's (MLC) capital expenditure program of \$27 million is allocated primarily to the two MLC entertainment centres, McPhillips Street Station and Club Regent. Approximately \$23 million of the total is allocated for updating information technology, security and entertainment and services infrastructure. The capital program is consistent with the Corporation's strategy to create attractive entertainment environments and update its products and services.

Manitoba Liquor Control Commission's capital expenditure program of \$3.3 million program consists of routine expenditures to upgrade its retail stores, maintain head office facilities and continue information systems initiatives. The Commission plans to open one new retail store in Winnipeg, relocate three stores in Winnipeg, and upgrade two stores in rural locations. New technology projects are included in the program to enable improved information access and reporting. These projects would be initiated after work to existing systems is completed and is Year 2000 compliant.

Venture Manitoba Tours Ltd. capital expenditure program of \$0.8 million is directed at maintaining and improving existing facilities. A major portion, \$0.6 million, is allocated to the Hecla and Falcon Lake golf courses, which require investment in greens, equipment and improved irrigation systems to maintain their condition. The remainder, \$0.2 million, provides for improvements to the Gull Harbour Resort.

Crown Corporations Council

First Quarter Report

For the three months ended March 31, 1999

The Communities Economic Development Fund's planned lending programs total \$10.4 million. The programs provide for \$5.5 million in Business Loans lending, \$1.4 million in Business Loans guarantees and \$3.5 million in Fisheries Loan Program lending.

Crown Corporations Year 2000 Initiatives

During the quarter, Council reviewed the progress of the Crown corporations' Year 2000 initiatives and preparedness. The overall status is encouraging. The Corporations' remediation efforts continue to advance on conversion of information systems and equipment that may be affected by embedded chips. Corporations such as Manitoba Hydro and Manitoba Public Insurance that deliver essential services are developing contingency plans.

Submissions to Council

There were no submissions made to Council during this reporting period with regard to allegations or complaints made against any Crown corporation under Council's purview.

CROWN CORPORATIONS COUNCIL

BALANCE SHEET
(unaudited)

| | March 31 | |
|--|------------------------|---------------|
| | 1999 | 1998 |
| | (thousands of dollars) | |
| ASSETS | | |
| Current | | |
| Cash | \$ 182 | \$ 369 |
| Accounts receivable | 3 | 1 |
| | <u>185</u> | <u>370</u> |
| Fixed assets (note 1) | 49 | 5 |
| | <u>\$ 234</u> | <u>\$ 375</u> |
| LIABILITIES AND RESERVE REFLECTING NET INVESTMENT IN FIXED ASSETS | | |
| Current | | |
| Accounts payable and accrued liabilities | \$ 67 | \$ 77 |
| Levies received in advance | 61 | 107 |
| Due to Manitoba Crown corporations | <u>57</u> | <u>186</u> |
| | 185 | 370 |
| Reserve reflecting net investment in fixed assets | 49 | 5 |
| | <u>\$ 234</u> | <u>\$ 375</u> |

CROWN CORPORATIONS COUNCIL

**STATEMENT OF INCOME AND RESERVE
REFLECTING NET INVESTMENT IN FIXED ASSETS
(unaudited)**

| | Three Months Ended March 31 | |
|---|-----------------------------|--------------------|
| | 1999 | 1998 |
| | (thousands of dollars) | |
| Income | | |
| Recoveries from corporations through levies | \$ 180 | \$ 155 |
| Interest | <u>3</u> | <u>3</u> |
| | 183 | 158 |
| Expenses | <u>187</u> | <u>159</u> |
| Excess of expenses over income | \$ (4) | \$ (1) |
| Reserve reflecting net investment in fixed assets, beginning of period | <u>53</u> | <u>6</u> |
| Reserve reflecting net investment in fixed assets, end of period | <u><u>\$ 49</u></u> | <u><u>\$ 5</u></u> |

CROWN CORPORATIONS COUNCIL

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1999

1. Fixed assets and depreciation policy

These are comprised of office furniture and equipment and computer equipment:

March 31
(in thousands of dollars)

| | 1999 | | | 1998 | | |
|---------------------------------|--------------|-------------------------------------|-------------------------------|--------------|-------------------------------------|-------------------------------|
| | <u>Cost</u> | <u>Accumulated Depreciation</u> | <u>Net Book Value</u> | <u>Cost</u> | <u>Accumulated Depreciation</u> | <u>Net Book Value</u> |
| Office furniture & equipment | \$ 58 | \$57 | \$ 1 | \$ 58 | \$ 57 | \$1 |
| Computer equipment | <u>81</u> | <u>33</u> | <u>48</u> | <u>62</u> | <u>58</u> | <u>4</u> |
| | <u>\$139</u> | <u>\$90</u> | <u>\$49</u> | <u>\$120</u> | <u>\$115</u> | <u>\$5</u> |

Fixed assets are recorded at cost. Depreciation is provided on a straight line basis over five years on the office furniture and equipment and over three years on the computer equipment.

2. Statement of cash flows

A statement of cash flows has not been presented in these financial statements as no additional useful information would be provided by its inclusion.

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CROWN CORPORATIONS COUNCIL
A Manitoba Crown Corporation

SECOND QUARTER REPORT

Period Ended June 30, 1999

Crown Corporations Council

Second Quarter Report

For the three months ended June 30, 1999

Crown Corporations Council

Second Quarter Report

For the three months ended June 30, 1999

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CROWN CORPORATIONS COUNCIL
A MANITOBA CROWN CORPORATION

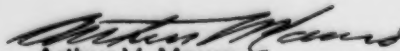
August 27, 1999

The Honourable Harold Gilleshammer
Minister responsible for
Crown Corporations Council
103 Legislative Building
WINNIPEG, Manitoba
R3C 0V8

Dear Minister:

I am pleased to submit for your consideration the Second Quarter Report of
Crown Corporations Council for the three months ended June 30, 1999.

Yours truly,


Arthur V. Mauro
Chairman

CROWN CORPORATIONS COUNCIL

**Second Quarter
Report**

For the three months ended June 30, 1999

Manitoba Hydro – Presentation to Council

In June 1999, Manitoba Hydro officials presented an overview of the proposed acquisition of all issued and outstanding shares of Centra Gas Manitoba Inc. (Centra) and Minell Pipelines Ltd. (Minell) from Westcoast Energy Inc. The cost of the share purchases was identified as approximately \$245 million.

Centra is the primary distributor of natural gas in Manitoba and services approximately 240,000 residential, commercial and industrial customers in Winnipeg and Brandon. Minell owns a 70-km pipeline from Saskatchewan to Manitoba to supply gas to the Roblin, Manitoba area. The acquisition is subject to review and approval by the Manitoba Public Utilities Board (PUB). A PUB hearing to consider the matter was scheduled to commence June 28, 1999. In addition, the Competition Bureau, Industry Canada, will review the proposed acquisition.

The presentation outlined the strategic rationale for the transaction. Officials indicated that throughout North America, utilities are entering other forms of energy businesses as evidenced by a number of natural gas and electricity mergers or strategic partnerships. Examples cited included Hydro-Quebec and Gas Metropolitan, Pan Energy and Duke Power, Brooklyn Gas and Long Island Lighting Co.

Hydro commented that the proposed acquisition would provide a natural entry into the Manitoba natural gas market and present a strategic fit with plans to move from an electricity producer and supplier to a diversified energy services provider. Officials advised that based on their assessment, aided by external advisors, the acquisition would provide a low risk, regulated, cost recovery rate of return on assets consistent with the role and purpose of a public utility.

Officials reviewed opportunities for synergies that may be attained by integrating the two businesses. Potential cost savings have been identified in such areas as: engineering and distribution, customer service, public affairs, billing and customer information, gas supply, marketing, administration, regulatory functions, human resources, and senior executive staffing.

CROWN CORPORATIONS COUNCIL

2

**Second Quarter
Report**

For the three months ended June 30, 1999

Manitoba Hydro - Presentation to Council (continued)

Manitoba Hydro has identified potential savings of approximately \$12.0 million annually, which it considered a conservative estimate.

Officials reviewed their plans to integrate the two businesses, subject to receiving approval to proceed with the transaction. Integration teams have been established under the direction of an Integration Policy Group consisting of Manitoba Hydro executives. Overall, direction, coordination, and final recommendations will be the responsibility of this group. A unified corporate structure will involve operational and financial integration over a period of several months.

Crown Corporations' Year 2000 Initiatives

During the quarter, Council reviewed the progress of the Crown corporations' Year 2000 initiatives and preparedness. The Corporations' remediation efforts continued to advance on conversion of information systems and equipment that may be effected by embedded chips.

Manitoba Hydro has completed installation, testing, and remediation to its critical hardware and software systems on schedule. The Corporation also participated in a North American Reliability Council (NERC) Year 2000 simulation with no problems encountered during the test. NERC reported overall, the drill was a successful exercise.

Three of the Corporations, Communities Economic Development Fund, Manitoba Crop Insurance Corporation, and Manitoba Agricultural Credit Corporation have indicated that their systems are considered Year 2000 ready.

Submissions to Council

There were no submissions made to Council during this reporting period concerning allegations or complaints made against any Crown corporation under Council's purview.

CROWN CORPORATIONS COUNCIL

BALANCE SHEET
(unaudited)

| | June 30 | |
|--|------------------------|---------------|
| | 1999 | 1998 |
| | (thousands of dollars) | |
| ASSETS | | |
| Current | | |
| Cash | \$ 226 | \$ 362 |
| Accounts receivable | <u>1</u> | <u>(1)</u> |
| | 227 | 361 |
| Fixed assets (note 1) | 44 | 4 |
| | <u>\$ 271</u> | <u>\$ 365</u> |
| LIABILITIES AND RESERVE REFLECTING NET INVESTMENT IN FIXED ASSETS | | |
| Current | | |
| Accounts payable and accrued liabilities | \$ 58 | \$ 74 |
| Levies received in advance | 105 | 139 |
| Due to Manitoba Crown corporations | <u>64</u> | <u>148</u> |
| | 227 | 361 |
| Reserve reflecting net investment in fixed assets | 44 | 4 |
| | <u>\$ 271</u> | <u>\$ 365</u> |

CROWN CORPORATIONS COUNCIL

STATEMENT OF INCOME AND RESERVE
REFLECTING NET INVESTMENT IN FIXED ASSETS
(unaudited)

| | Six Months Ended June 30 | |
|---|--------------------------|--------------------|
| | 1999 | 1998 |
| | (thousands of dollars) | |
| Income | | |
| Recoveries from corporations through levies | \$ 355 | \$ 334 |
| Interest | <u>4</u> | <u>6</u> |
| | 359 | 340 |
| Expenses | <u>368</u> | <u>342</u> |
| Excess of expenses over income | \$ (9) | \$ (2) |
| Reserve reflecting net investment in fixed assets, beginning of period | <u>53</u> | <u>6</u> |
| Reserve reflecting net investment in fixed assets, end of period | <u><u>\$ 44</u></u> | <u><u>\$ 4</u></u> |

CROWN CORPORATIONS COUNCIL

NOTES TO FINANCIAL STATEMENTS

June 30, 1999

1. Fixed assets and depreciation policy

These are comprised of office furniture and equipment and computer equipment:

| | June 30 (in thousands of dollars) | | | | | |
|---------------------------------|--------------------------------------|-------------------------------------|-----------------------|--------------|-------------------------------------|-----------------------|
| | 1999 | | Net | 1998 | | Net |
| | <u>Cost</u> | <u>Accumulated Depreciation</u> | <u>Book Value</u> | <u>Cost</u> | <u>Accumulated Depreciation</u> | <u>Book Value</u> |
| Office furniture & equipment | \$ 58 | \$58 | \$ 0 | \$ 58 | \$ 57 | \$1 |
| Computer equipment | <u>81</u> | <u>37</u> | <u>44</u> | <u>62</u> | <u>59</u> | <u>3</u> |
| | <u>\$139</u> | <u>\$95</u> | <u>\$44</u> | <u>\$120</u> | <u>\$116</u> | <u>\$4</u> |

Fixed assets are recorded at cost. Depreciation is provided on a straight line basis over five years on the office furniture and equipment and over three years on the computer equipment.

2. Statement of cash flows

A statement of cash flows has not been presented in these financial statements as no additional useful information would be provided by its inclusion.

3RD QUARTER

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CROWN CORPORATIONS COUNCIL
A Manitoba Crown Corporation

THIRD QUARTER REPORT

Period Ended September 30, 1999

Crown Corporations Council

Third Quarter Report

For the three months ended September 30, 1999

Crown Corporations Council

Third Quarter Report

For the three months ended September 30, 1999

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CROWN CORPORATIONS COUNCIL
A MANITOBA CROWN CORPORATION

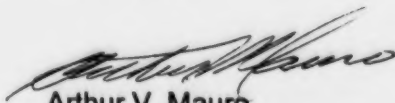
December 2, 1999

The Honourable Gregory Selinger
Minister responsible for
Crown Corporations Council
103 Legislative Building
WINNIPEG, Manitoba
R3C 0V8

Dear Minister:

I am pleased to submit for your consideration the Third Quarter Report of Crown Corporations Council for the three months ended September 30, 1999.

Yours truly,



Arthur V. Mauro
Chairman

CROWN CORPORATIONS COUNCIL

Third Quarter Report

For the three months ended September 30, 1999

Manitoba Agricultural Credit Corporation

During the quarter, Council completed a Mandate and Strategy Review of the Manitoba Agricultural Credit Corporation (MACC). We reviewed MACC's strategies to mitigate business risk (i.e., to reduce the uncertainty of achieving intended outcomes) and to influence and seize current opportunities. We sought outcome performance that demonstrated: client service satisfaction; capability to continue to improve and innovate; value for MACC's stakeholders; and efficiency and effectiveness in the Corporation's business practices.

MACC's mandate is to fulfil the significant financial and social purposes set out in The Agricultural Credit Corporation Act. The Corporation's business activities remain relevant, responding to the needs of targeted populations for access to capital and other assistance, within the identified public policy framework. MACC pursues this mandate with objectives that balance social purpose with fiscal responsibility. In discharging their governance and accountability responsibilities, the Corporation's Directors demonstrate an appropriate level of diligence.

MACC communicates its legislative and policy mandate to clients and stakeholders through its Mission:

"To participate in meeting the financial requirements of the agricultural community, thereby contributing to a vibrant Manitoba economy that is globally competitive."

MACC's planning processes and planning assumptions are appropriate to Manitoba's agriculture environment. The Corporation continues to focus its efforts on ensuring that intended outcomes are achieved and that operations effectively safeguard public assets.

MACC is effectively delivering its mandate to provide financial assistance in support of agricultural enterprise development and expansion in Manitoba through direct lending and guarantee programs. MACC is effectively delivering emergency and/or special assistance programs in support of Government policy objectives.

Financing instruments offered by the Corporation include: long, intermediate and short-term fixed rate loans; loan guarantees for operating lines of credit, short term livestock feeder loans, and larger high risk agricultural production

Manitoba Agricultural Credit Corporation (continued)

enterprises; and direct cash (loan) support to farmers under emergency or special assistance programs.

For the fiscal year ended March 31, 1999, MACC's direct lending exceeded \$106 million, an increase of \$30 million over the prior year. In addition, total loans supported by the Corporation's guarantee exceeded \$74 million, an increase of \$17 million over the prior year.

MACC manages its lending portfolios and business operations with due regard for economy, efficiency and effectiveness. The higher risk attributable to the Corporation's lending activities reflects the nature of its mandate. MACC will continually be exposed to potential loan losses in excess of those faced by conventional lenders. MACC has appropriate strategies to identify and mitigate credit risk in its lending activities. MACC's Board and management are employing these strategies effectively.

Our business condition assessment of MACC's operating environment continues to be one of concern. That concern reflects the Corporation's portfolio exposures to the significant challenges faced by Manitoba agri-business. These challenges arise from low global commodity prices and 1999's weather related disasters that have impaired normal land use by producers. In the near term, the economic outlook for commodity prices is not encouraging.

In summary, we view the business risk confronting the Corporation as medium, with a negative risk trend, unchanged from our November 1998 Risk Assessment.

Communities Economic Development Fund

During the quarter, Council completed a Mandate and Strategy Review of the Communities Economic Development Fund (The Development Fund). We reviewed the Development Fund's strategies to mitigate business risk and to influence and seize current opportunities. We sought outcomes that demonstrated: client service satisfaction; capability to continue to improve and

Communities Economic Development Fund (continued)

innovate; value for the Fund's stakeholders; and efficiency and effectiveness in the Fund's business practices.

The Development Fund's mandate is to fulfil the significant socio-economic purposes set out in The Communities Economic Development Fund Act. The Fund's business activities remain relevant, responding to the needs of targeted populations for access to capital and other assistance, within the identified public policy framework. The Development Fund pursues this mandate with appropriate commercial objectives that balance social purpose with fiscal responsibility. In discharging their governance and accountability responsibilities, the Fund's Directors demonstrate an appropriate level of diligence.

The Fund's planning processes and planning assumptions are appropriate to the Fund's business environment. The Development Fund continues to focus its efforts on ensuring that intended outcomes are achieved and that operations effectively safeguard public assets.

The Development Fund is effectively delivering its mandate to provide financial and other assistance to entrepreneurs and Government in support of enterprise development and expansion in northern Manitoba through the Business Loans Program. The Development Fund is effectively delivering the Fisheries Loan Program in support of both Manitoba's commercial fishery and community enterprise development.

The Development Fund continues to be a significant source of capital for northern Manitoba entrepreneurs and for the Manitoba commercial fishery. Financing instruments offered by the Fund include flexible term loans (with fixed or floating interest rates), bridge financing and loan guarantees. Over the last five years, the Fund's financial support averaged just under \$8.0 million annually. This amount is composed of Business Loans of nearly \$5.0 million and Fisheries Loans of \$3.0 million.

In addition to providing financial assistance to applicants, the Fund continues to accommodate other regional economic development entities at its Thompson Head Office. These are the Department of Rural Development and Norman Regional Development Corporation Inc. The grouping of economic development

Communities Economic Development Fund (continued)

assistance providers, together with access to publications geared towards small businesses, provides one-stop northern economic development assistance.

The Fund also accommodates a Business Incubator at its Head Office. Modeled to transition home based businesses to conventional office premises, the Fund provides logistical, office equipment and professional services. Two small enterprises are presently operating from the Incubator while a third enterprise has returned to a home based enterprise.

The Development Fund manages its lending portfolios and business operations with due regard for economy, efficiency and effectiveness. The higher risk attributable to the Development Fund's lending portfolios reflects the nature of its mandate. The Fund will continually be exposed to potential loan losses in excess of those faced by conventional lenders. The Fund has appropriate strategies to identify and mitigate credit risk in its lending portfolios. The Board and management are employing these strategies effectively.

Our business condition assessment of the Development Fund's operations continues to be favorable. In summary, we view the business risk confronting the Development Fund as medium, with a positive risk trend, an improvement in risk trend from our November 1998 Risk Assessment. This improvement reflects the combination of adequate provisioning for loan impairment in the Fisheries Loan portfolio and a second consecutive year of improved fish harvests.

Manitoba Hydro – Presentation to Council

In August 1999, Manitoba Hydro officials presented an overview of the Corporation's goals, objectives, initiatives, corporate performance and recommendations by the Public Utilities Board resulting from the review of the acquisition of Centra Gas.

Officials reviewed the drivers of change in Hydro's business environment. These changes center on three areas:

Manitoba Hydro – Presentation to Council (continued)

- Customer Demands
 - Broader customer choice/low prices
 - Bundled energy services to best meet customer needs
- Competition/Deregulation
 - North American pressures to become efficient and lower prices. Geography and power source are important factors
- Changes in Technology
 - Technological developments in the transmission and distribution segments have helped to facilitate the introduction of open access and the competitive trading of electricity

Hydro's goal, objectives, initiatives and plans address these three important changes in its environment.

An important goal is to continue providing customers with competitive electricity rates. A review of Hydro rates to other jurisdictions shows the Corporation to have the lowest rates for average residential, general service and certain industrial loads. The Corporation also continues to be a top performer among Canadian electrical utilities in the reliable delivery of energy and related services.

An update was provided on the Corporation's marketing strategy for extra-provincial sales. Hydro continues to assess strategic opportunities to expand its export market, focusing particularly on those in the Mid-Continent Area Power Pool region. Extra-provincial sales for the fiscal year ended March 31, 1999 were \$326.2 million, up from \$297.0 million the prior year.

Officials reviewed the Corporation's objective to maintain high profitability and reduce debt. Hydro's recent strong financial performance has enabled progress in improving the company's debt/equity and interest coverage ratios.

Officials discussed several key environmental initiatives. The Power Smart energy savings program has to date generated 300 Gw.h in annual energy savings and 133 MW in demand at generation. The Corporation's target is to achieve by 2011/12, 770 Gw.h savings per year in energy and 205 MW in demand at generation. The Corporation is a committed supporter of climate

Manitoba Hydro – Presentation to Council (continued)

change initiatives. Hydro is not a significant contributor to greenhouse gases and produces only 0.1% of Canada's greenhouse gases from fossil fueled generation. 95% of its electricity produced is through 12 hydraulic generation stations

The Public Utilities Board approved the transaction to acquire Centra Gas. It agreed that adding the gas distribution facilities to the operations of Hydro could potentially result in a stronger organization better equipped to meet the energy needs of Manitobans and the competitive challenges of the future. A number of recommendations were made regarding integration and the separation of costs and revenues for regulatory purposes. The Corporation advised that it is responding to all of the Board's recommendations.

Manitoba Public Insurance – Presentation to Council

In September 1999, Manitoba Public Insurance (MPI) officials presented an overview of key policy initiatives of the Corporation and discussed corporate performance contributing to MPI's strong financial position.

In the area of corporate governance, officials discussed development of a number of policies that would further guide MPI's operations. These focus on rate setting rules, dealing with retained earnings and the Rate Stabilization Reserve when actual surplus is outside of target ranges and risk reduction.

MPI officials commented on the risk-based review of the Rate Stabilization Reserve. In April 1999, MPI's Board approved a revised RSR target range of between \$80 million and \$100 million for the period March 1, 2000 to February 28, 2003. In addition, officials commented on retained earnings targets for MPI's competitive business lines that are based on minimum solvency tests used by private insurers.

The Corporation's investment portfolio exceeds \$1 billion and, due to the long duration of personal injury claims settlement patterns, will continue to grow in the future. Officials discussed strategies to diversify the Corporation's investment asset classes, particularly plans to increase investments in equities. All

Manitoba Public Insurance – Presentation to Council (continued)

corporate investments are managed by the Minister of Finance on MPI's behalf and includes the engagement of external fund managers to manage the Corporation's Canadian equity investments.

Officials discussed the Corporation's Customer Service Excellence Plan, including establishing, publishing and meeting service standards for all customer contacts. MPI continues to survey claimants on a regular basis and satisfaction levels consistently exceed 90%. The Corporation is planning a new customer satisfaction survey methodology that will more accurately determine factors contributing to service satisfaction. Among other customer service measures, MPI is preparing for the introduction of a wide range of premium payment options that include the ability to use credit cards or automatic monthly withdrawals.

Officials provided an overview of the eight major Year 2000 initiatives undertaken by the Corporation. The final significant project, the Claims Administration and Reporting System, went online in early July without difficulty or service interruption. Overall, MPI's Year 2000 projects were completed to compliance standards on time and significantly under budget.

Corporate officials also discussed relationships with independent insurance brokers, including opportunities to add further value to the MPI – Broker relationship. The current relationship is very positive. Brokers view the relationship as a partnership with MPI, with the consumer the beneficiary of the strengthened relationship.

Crown Corporations' Year 2000 Initiatives

During the quarter, Council reviewed the progress of the Crown corporations' Year 2000 initiatives and preparedness. The Corporations' remediation efforts continued to advance toward completion of conversion of information systems and equipment that may be effected by embedded chips.

Crown Corporations' Year 2000 Initiatives (continued)

Manitoba Hydro considers the Corporation to be Year 2000 ready. Additional testing and contingency planning will be undertaken for the remainder of the year. Communities Economic Development Fund, Manitoba Crop Insurance Corporation, and Manitoba Agricultural Credit Corporation have indicated that their systems are considered Year 2000 ready.

Submissions to Council

During this reporting period the Provincial Auditor received a complaint against a Crown under Council's purview. Council is working with the Provincial Auditor's office in its investigation.

CROWN CORPORATIONS COUNCIL

BALANCE SHEET
(unaudited)

| | September 30 | |
|--|------------------------|----------------------|
| | 1999 | 1998 |
| | (thousands of dollars) | |
| ASSETS | | |
| Current | | |
| Cash | \$ 259 | \$ 326 |
| Accounts receivable | 1 | 5 |
| | <u>260</u> | <u>331</u> |
| Fixed assets (note 1) | 39 | 2 |
| | <u><u>\$ 299</u></u> | <u><u>\$ 333</u></u> |
| LIABILITIES AND RESERVE REFLECTING NET INVESTMENT IN FIXED ASSETS | | |
| Current | | |
| Accounts payable and accrued liabilities | \$ 28 | \$ 77 |
| Levies received in advance | 137 | 110 |
| Due to Manitoba Crown corporations | <u>95</u> | <u>144</u> |
| | 260 | 331 |
| Reserve reflecting net investment in fixed assets | 39 | 2 |
| | <u><u>\$ 299</u></u> | <u><u>\$ 333</u></u> |

CROWN CORPORATIONS COUNCIL

STATEMENT OF INCOME AND RESERVE
REFLECTING NET INVESTMENT IN FIXED ASSETS
(unaudited)

| | Nine Months Ended September 30 | |
|---|--------------------------------|--------------------|
| | 1999 | 1998 |
| | (thousands of dollars) | |
| Income | | |
| Recoveries from corporations through levies | \$ 507 | \$ 477 |
| Interest | <u>6</u> | <u>9</u> |
| | 513 | 486 |
| Expenses | <u>527</u> | <u>490</u> |
| Excess of expenses over income | \$ (14) | \$ (4) |
| Reserve reflecting net investment in fixed assets, beginning of period | <u>53</u> | <u>6</u> |
| Reserve reflecting net investment in fixed assets, end of period | <u><u>\$ 39</u></u> | <u><u>\$ 2</u></u> |

CROWN CORPORATIONS COUNCIL

NOTES TO FINANCIAL STATEMENTS

September 30, 1999

1. Fixed assets and depreciation policy

These are comprised of office furniture and equipment and computer equipment:

Sept 30
(in thousands of dollars)

| | 1999 | | | 1998 | | |
|---------------------------------|--------------|-------------------------------------|-------------------------------|-------------|-------------------------------------|-------------------------------|
| | <u>Cost</u> | <u>Accumulated Depreciation</u> | <u>Net Book Value</u> | <u>Cost</u> | <u>Accumulated Depreciation</u> | <u>Net Book Value</u> |
| Office furniture & equipment | \$ 58 | \$58 | \$ 0 | \$ 58 | \$ 57 | \$1 |
| Computer equipment | <u>81</u> | <u>42</u> | <u>39</u> | <u>39</u> | <u>38</u> | <u>1</u> |
| | <u>\$139</u> | <u>\$100</u> | <u>\$39</u> | <u>\$97</u> | <u>\$95</u> | <u>\$2</u> |

Fixed assets are recorded at cost. Depreciation is provided on a straight line basis over five years on the office furniture and equipment and over three years on the computer equipment.

2. Statement of cash flows

A statement of cash flows has not been presented in these financial statements as no additional useful information would be provided by its inclusion.

4TH QUARTER

4E TRIMESTRE

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CROWN CORPORATIONS COUNCIL
A Manitoba Crown Corporation

FOURTH QUARTER REPORT

Period Ended December 31, 1999

Crown Corporations Council

Fourth Quarter Report

For the three months ended December 31, 1999

Crown Corporations Council

Fourth Quarter Report

For the three months ended December 31, 1999

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December 31, 1999 5**

CROWN CORPORATIONS COUNCIL
A MANITOBA CROWN CORPORATION

March 20, 2000

The Honourable Gregory Selinger
Minister responsible for
Crown Corporations Council
103 Legislative Building
WINNIPEG, Manitoba
R3C 0V8

Dear Minister:

The Council is required under the Crown Corporations Public Review and Accountability Act to provide a report on its activities to you after the end of every three-month period. I am pleased to submit for your consideration the Fourth Quarter Report of Crown Corporations Council for the three months ended December 31, 1999.

Yours truly,



Arthur V. Mauro
Chairman

CROWN CORPORATIONS COUNCIL

Fourth Quarter Report

For the three months ended December 31, 1999

Report on Activities of the Council

During the three months ended December 31, 1999, the Council reviewed and approved Mandate and Strategy Reviews conducted on Manitoba Public Insurance and Manitoba Liquor Control Commission. In addition, a five-year strategic plan for Crown Corporations Council was considered and approved. Highlights of the results of these activities are presented below.

Manitoba Public Insurance

Manitoba Public Insurance's (MPI) mandate is to fulfil the significant socio-economic purposes set out in The Manitoba Public Insurance Corporation Act. MPI's mandate is unchanged since our August 1998 Mandate and Strategy Review.

MPI pursues its mandate with appropriate commercial objectives that balance social purpose with fiscal responsibility. MPI has appropriate strategies to identify and mitigate business risk in its compulsory Basic Autopac and competitive lines of business, Autopac Extension and Special Risk Extension. MPI's planning processes and planning assumptions are appropriate to the Corporation's business environment. MPI continues to focus its efforts on ensuring that intended outcomes are achieved and that operations effectively safeguard public assets.

The Corporation's 1999-2003 Strategic Plan directs the achievement of seven broad Corporate Goals. These are in the areas of: Premiums, Customer Service, Safer Driving, Financial Stability, Relationships, Personnel and Governance. The goals are substantially unchanged from MPI's previous strategic plan. They reflect MPI's continuing focus on building a stronger future through efficiencies in operations that produce a high level of customer satisfaction and financial stability. The Plan provides for continuing development of specific, goal-related performance targets and measures.

The Corporation's existing and planned activities are consistent with its current legislative and policy environment. MPI's business activities remain relevant, responding to the needs of Manitobans for access to universally affordable automobile insurance, within the identified public policy framework.

Manitoba Public Insurance (continued)

Our business condition assessment of MPI's operations continues to be favourable. In summary, we view the business risk confronting Manitoba Public Insurance as Low, with a Positive risk trend, an improvement in risk from our June 1998 Risk Assessment. This improvement reflects the combination of effective corporate risk management practices, strong financial position and sound financial management practices, and consistent achievement of intended strategic and operational outcomes.

Manitoba Liquor Control Commission

The Manitoba Liquor Commission's (Commission) mandate has historically reflected two distinctly different functions, control and commercial. It was created in 1923 as an agency of the Province under the Liquor Control Act (Act). In 1956, the present organizational form was established following recommendations of the Bracken Commission. The Bracken Commission set the underlying philosophy, strongly rooted in Manitoba prohibition history, that has guided the Commission's operations from its early days.

In 1981, significant revisions were made to the Act because of recommendations made by the Ministerial Advisory Committee on Liquor Control (Michener Committee). The Michener Committee recommendations reflected a more tolerant and accepting public attitude toward the consumption of beverage alcohol.

The Commission's mandate, legislation, regulations and broad alcohol policy has not undergone a major review since 1981. Management has begun a review of these areas as part of its objective to modernize liquor regulations and policies. Any major changes will require balancing a competing set of complex stakeholder interests.

The Commission aims to balance its business objectives with public education, social responsibility and ensuring compliance. Continuing sensitivity to changes in societal values regarding alcohol consumption also shape the corporate objectives of the MLCC.

Management has completed implementation of the first year of the strategic framework developed in May 1998. There has been no change in the overall framework. MLCC continues its initiatives to improve and modernize its

store base in order to better meet customer expectations and needs. Since our last review, a new store in the Winnipeg Tuxedo area opened in June and the Grant Park store was expanded to include training and cooking facilities.

Central to MLCC's mandate is the significant contribution made to the Province's general revenues from the sale of liquor. The strategic framework outlines a number of specific profit objectives to assist in meeting the goal to continue to be an important contributor to the Province's general revenue. In absolute dollars, net profit paid to the Province has been steadily increasing. However, the ability to maintain a net profit return to the Province of 40% of sales presents a challenge.

There have been no significant developments since our last review that would warrant a change in the business risk assessment from Low with a Stable risk trend.

Crown Corporations Council 2000 - 2004 Strategic Plan

During the quarter, the Council approved a new strategic plan which sets the direction for the next five years. The Council's mandate is based on the current legislative direction set out in the Crown Corporations Public Review and Accountability Act:

6(1) The Council shall

- (a) facilitate, in co-operation with each corporation, the development of a clearly defined mandate and a clear statement of purpose for the corporation;**
- (b) facilitate, in co-operation with each corporation, the development of consistent and effective criteria for measuring the corporation's performance;**
- (c) review long term corporate plans and capital expenditure proposals of corporations, ensure consistent practices among two or more corporations where appropriate and provide any advice to the Lieutenant Governor in Council on those plans, proposals and practices or any other matter of policy affecting corporations that may be requested by the Lieutenant Governor in Council;**

CROWN CORPORATIONS COUNCIL

4

Fourth Quarter Report

For the three months ended December 31, 1999

- (d) receive and hear submissions from any person who, in the opinion of the council, has knowledge respecting any aspect of a corporation's activities regarding alleged failures by the corporation to comply with any Act or any policy of the council.

Strategic objectives were developed to support the review of corporate and capital plans, corporate performance, consistent practices, public reporting and submissions as reflected in the Act.

Submissions to Council

Council previously reported in its Third Quarter Report for the three months ended September 30, 1999 that the Provincial Auditor had received a complaint against a Crown under Council's purview. Council continued to work with the Provincial Auditor's office in its investigation which is not yet complete. There were no new submissions made to Council during this reporting period concerning allegations or complaints made against any Crown corporation under Council's purview.

CROWN CORPORATIONS COUNCIL**5****Balance Sheet
(unaudited)**

| | December 31 | |
|--|------------------------|---------------|
| | 1999 | 1998 |
| | (thousands of dollars) | |
| Assets | | |
| Current | | |
| Cash | \$ 312 | \$ 263 |
| Accounts receivable | 1 | 3 |
| | 313 | 266 |
| Fixed assets (note 1) | 35 | 53 |
| | <u>\$ 348</u> | <u>\$ 319</u> |
| Liabilities and Reserve Reflecting Net Investment In Fixed Assets | | |
| Current | | |
| Accounts payable and accrued liabilities | \$ 44 | \$ 157 |
| Levies received in advance | 148 | 53 |
| Due to Manitoba Crown corporations | 121 | 56 |
| | 313 | 266 |
| Reserve reflecting net investment in fixed assets | 35 | 53 |
| | <u>\$ 348</u> | <u>\$ 319</u> |

CROWN CORPORATIONS COUNCIL**6****Statement of Income and Reserve
Reflecting Net Investment in Fixed Assets
(unaudited)**

| | Year Ended December 31 | |
|---|------------------------|--------------|
| | 1999 | 1998 |
| | (thousands of dollars) | |
| Income | | |
| Recoveries from corporations through levies | \$ 662 | \$ 706 |
| Interest | 9 | 12 |
| | 671 | 718 |
| Expenses | 689 | 671 |
| Excess of (expenses over income) income over expenses | \$ (18) | \$ 47 |
| Reserve reflecting net investment in fixed assets, beginning of period | 53 | 6 |
| Reserve reflecting net investment in fixed assets, end of period | \$ 35 | \$ 53 |

**Notes to Financial Statements
December 31, 1999****1. Fixed assets and depreciation policy**

These are comprised of office furniture and equipment and computer equipment:

| | December 31 | |
|------------------------------|---------------------------|-------|
| | 1999 | 1998 |
| | (in thousands of dollars) | |
| Cost | | |
| Office furniture & equipment | \$58 | \$58 |
| Computer equipment | 81 | \$81 |
| | \$139 | \$139 |
| Accumulated Depreciation | | |
| Office furniture & equipment | 58 | 57 |
| Computer equipment | 46 | 29 |
| | 104 | 86 |
| Net Book Value | \$35 | \$53 |

Fixed assets are recorded at cost. Depreciation is provided on a straight line basis over five years on the office furniture and equipment and over three years on the computer equipment.

2. Statement of cash flows

A statement of cash flows has not been presented in these financial statements as no additional useful information would be provided by its inclusion.